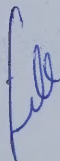


ENEX RESOURCES LIMITED



1980 ANNUAL REPORT

For the year ending
December 31, 1980

ENEX RESOURCES LIMITED

Incorporated under the laws of the Province of British Columbia

DIRECTORS

ROSS M. MacLEAN, Edmonton

A. DOUGLAS McGREGOR, Edmonton

G. ARNOLD ARMSTRONG, Vancouver

WALTER LACHMAN, Edmonton

RICHARD L. GRIFFITH, Honolulu

THOMAS S. CLARE, Calgary

WILLIAM W. KIZAN, Edmonton

OFFICERS

ROSS M. MacLEAN
President

A. DOUGLAS McGREGOR
Vice President

G. ARNOLD ARMSTRONG
Secretary

WALTER LACHMAN
Treasurer

PRINCIPAL OFFICE 1308, 10024 Jasper Avenue
Edmonton, Alberta, T5J 1R9

REGISTERED OFFICE 1120, 1066 West Hastings Street
Vancouver, B.C., V6E 3X1

TRANSFER AGENT AND REGISTRAR Royal Trust Company
Edmonton, Vancouver, and Toronto

AUDITORS Peat, Marwick, Mitchell & Co.
2100 Principal Plaza
10303 Jasper Avenue
Edmonton, Alberta, T5J 1Y5

CONSULTANTS Oil and Gas
Mr. R.J. Christensen
Owasso Petroleum Ltd.
Mining and Uranium
Trigg, Woollett Consulting Ltd.

TO THE SHAREHOLDERS

On behalf of the Board of Directors, we present the Annual Report of the Company with the Balance Sheet, the Auditors' Report and the Financial Statements dated December 31, 1980.

The year 1980 has proved to be a very difficult one for companies in the energy field, especially in the oil and gas sector. The introduction of the National Energy Program by the Canadian Federal Government imposed very heavy new taxes in both oil and gas. This program also continues the policy of setting unconscionably low prices to the financial detriment of the petroleum companies operating in Canada. The government also failed to establish new markets for gas in the United States which curtailed planned exploration in that sector for the foreseeable future.

In response to this challenge, your Company has embarked on an aggressive acquisition program in the United States, principally in Texas and Montana. As a result the Company has participated to date in the drilling of eight commercial oil wells and two commercial gas wells in Texas, which will greatly enhance the Company's cash flow beginning in 1981.

Of even more importance, the Company has at great effort acquired a land bank of oil and gas acreage in the United States, with 25,467 gross acres and 11,597 net acres in highly promising areas of Texas, and 230,000 gross acres (11,500 net acres) in seven counties of Montana. (Your Company was previously participating in 380,000 acres in Montana. In January of 1981, 150,000 acres were sold to Occidental Petroleum for in excess of \$2,000,000 and a five percent gross overriding royalty. Our five percent share of the proceeds amounted to more than \$100,000, and we will continue to share in the gross overriding royalty).

Your Company is now assembling an oil and gas drilling program to develop the properties in the United States which, if successful, would substantially enhance the value of the Company's reserves and yield a significant cash flow.

Our operating company in the United States is Pan Coastal Petroleum Corporation. The status of our oil and gas wells in Texas as well as a detailed list of our Texas land bank are set forth in the oil and gas section of this report.

The South Chauvin Gas Unit No. 1 and the four oil wells in the Chauvin Reflex area are all on production. Further exploration and drilling has been suspended until such time as more favourable conditions exist in Canada.

The two gas wells in the Cessford area of Alberta are on production and the drilling of a deep hole will commence the first week in June, with a second shallow well to follow immediately.

The four oil wells at Lashburn, Saskatchewan, are being banked for future production as will be elaborated on in the Oil and Gas report.

The exploration program in the sandstone, Mineral Lease ML 5289, continues to be a bright star on the horizon. The fall and winter work programs were completed with satisfactory results. In consequence, Trigg, Woollett Consulting Ltd. have recommended a strong spring and summer program for 1981, to which our

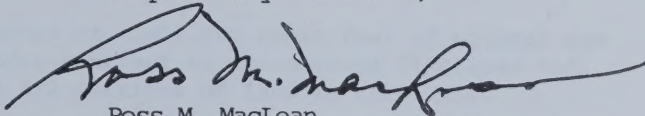
associates have concurred. It should be noted that during 1980 Union Carbide Exploration Corporation, under the terms of the Participation Agreement to earn a working interest, has expended all funds for exploration costs on behalf of Enex, with a like amount spent on their behalf.

In early 1981, the Company embarked on an aggressive program of acquiring and exploring oil and gas lands in Texas, and exploring for uranium in Northern Saskatchewan. The Pan Coastal Petroleum acquisition has been completed. Pan Coastal Energy has been approved pending the approval of a minor amendment by the Vancouver Stock Exchange. The Company is in the process of acquiring further acreages in Gonzales, Burleson, Washington, Karnes, Wilson and other Counties in Texas.

We are very optimistic in the outlook for the future and contemplate continued growth for the Company in 1981.

On behalf of the Board, we take this opportunity of thanking the Shareholders for their continued support of the Company's endeavours.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Ross M. MacLean", with a stylized, sweeping flourish extending to the right.

Ross M. MacLean
President

April 30, 1981

PETROLEUM EXPLORATION AND LAND HOLDINGS

ALBERTA

HUGHENDEN AREA, CENTRAL ALBERTA

The Company has a 25.8177% working interest in section 31, and a 5.163% overriding royalty in section 30. There are two gas wells on production, producing approximately 300,000 cubic feet per day.

CHAUVIN REFLEX AREA, EASTERN ALBERTA

Enex Resources Limited has a 40% working interest in three sections of land in eastern Alberta. Four wells are producing, giving an approximate gross annual income of \$320,000.

CHAUVIN SOUTH GAS UNIT NO. 1

The Unit is producing in excess of 1,000,000 cubic feet of natural gas per day. This production is under contract to TransCanada PipeLines Ltd. Enex's interest is 20% in the 4 1/2 sections of land in this Unit.

Contiguous to the above sections in the Unit, the Company has a 24.3% working interest in three sections of oil and gas bearing lands which will be drilled and placed on production in the future.

CESSFORD AREA, SOUTHERN ALBERTA

On July 1, 1980, your directors acquired a half interest in a major property in the eastern Cessford area. This property was acquired with no cash outlay by assuming a bank loan and assigning Company shares for the 40% balance.

The Company's interest is 41,120 gross acres. It was felt that, with minimum down-side risk, the property possessed very exciting up-side possibilities.

The main part of this property involves 42 sections of Crown leases in an area of great potential, all covered by a TransCanada PipeLines Ltd. gas purchase contract (a very valuable item in this period of gas surplus). The present nominal gas production of 500 mcf/d., through an operating compressor station with associated gathering and sales pipelines, provides a base on which to build a major producing property.

During the past year, a farm-out Devonian test was drilled by outside parties which encountered non-commercial gas in the Bakken Sand and did not encounter Devonian Reef build-up. The information from this test was very helpful in locating the follow-up Devonian commitment well to be drilled in May, 1981, by the same people.

Certain remedial work was done on two potential gas wells to establish commercial production from the Basal Quartz in one, and Viking in the other, with limited success only in the Viking. An effort will be made to complete the Basal Quartz in the second (Viking) well, and re-drilling of the first is being considered.

A Milk River - Medicine Hat test was drilled on the project to try to establish this type of production. Medicine Hat gas was encountered but the formation was too tight to yield commercial production and the well was suspended pending the testing of similar wells to the west of us.

The above results have been disappointing, but the progress in the seismic studies during this period has been most encouraging as will be discussed below.

The development of this property, and even its value, have been affected adversely by the National Energy Policy, implemented on October 28, 1980, as have all Canadian properties. Nevertheless, exploratory drilling is being done on a farm-out basis with a Devonian Reef test and a Mississippian test scheduled for May and June, 1981.

Over 160 miles of modern seismic data have been shot or acquired on this property with significant additional shooting planned for this spring and summer, at no cost to Enex. Current seismic technology has revealed very interesting prospects for isolated Devonian reef over the area which, if substantiated, would be extremely significant commercially. The prospective existence of prolific Glauconite and Basal Quartz sands in this area present a more definite possibility for major gas reserves when it is realized that two holes less than four miles west of the acreage have produced nearly 40 bcf of natural gas, and the geology and seismic on our acreage is very similar. This positive development has occurred since the purchase.

It is felt that the brutal terms of the National Energy Policy will eventually be corrected. It is also considered that the new drilling on seismic leads has a very good chance of yielding significant gas or oil reserves here which could significantly affect the Company's growth, in both the short and long term.

SASKATCHEWAN

LASHBURN AREA

Enex has a 20% undivided working interest in a total of 1760 acres of Petroleum and Natural Gas leases located in the Lashburn heavy oil area of Saskatchewan (Twp. 47 Rge. 25 and 26 W3M). During 1980 the Company participated in the drilling of five, 2,200 foot Lloydminster sand wells, four of which have been completed as Sparky oil wells. The fifth well has been suspended due to mechanical problems.

Following the completion of the five well drilling program, an engineering evaluation was conducted on the project, by the independent consulting firm

of John P. Hunter & Associates. The report dated October 30, 1980, attributes a value to the Enex interest in the project (discounted for present worth) of \$704,200, and an undiscounted, life time worth of \$2,332,480. No value was given to the project for secondary or tertiary recovery which will greatly increase the above values when such recover systems are implemented.

Drilling activity in the immediate surrounding area of the project was hectic during the summer of 1980. No less than 31 wells were drilled by other companies such as Dome, Gulf, and Hudson Bay Oil and Gas, within a distance of three miles of the project.

The general opinion of the operating companies in the Lashburn area is that once the current Federal-Provincial conflict over oil pricing and taxation is solved, the Lashburn area will become a hot bed of activity, since this heavy oil play offers high reserves of recoverable oil (400+ barrels per acre-foot) at reasonable exploration cost and immediate marketability.

UNITED STATES

TEXAS

In 1980 the Company commenced oil and gas activities in the United States, and acquired a wholly-owned subsidiary, Pan Coastal Petroleum Corporation, headquartered in Dallas. Land leases have been acquired and will be operated by Pan Coastal Petroleum out of Dallas, as follows:

<u>AUSTIN CHALK, TEXAS, PROPERTIES</u>	<u>COUNTY</u>	<u>WORKING INTEREST</u>	<u>GROSS ACREAGE</u>	<u>NET ACREAGE</u>
Edward Figgs	Washington	100.0000%	89.402	89.402
Reid Motherwell	Washington	100.0000%	120.099	120.099
South LaGrange	Fayette	50.0000%	203.500	101.750
Pinter	Burleson	2.8948%	43.100	1.248
Dusek	Burleson	4.2054%	137.800	5.795
Early Robbins	Fayette	4.5288%	369.000	16.711
North Flatonia	Fayette	37.5000%	70.000	26.250
Gilpin Tract	Fayette	37.5000%	88.152	33.057
Hardeman	Burleson	4.0000%	100.000	4.000
Hope	Gonzales	5.0000%	2209.000	110.450
Elo Moore	Burleson	1.2037%	46.570	.561
Gonzales Townsite	Gonzales	50.0000%	487.878	243.939
Gonzales Townsite West	Gonzales	50.0000%	283.800	141.900
Helena	Karnes	100.0000%	5118.800	5118.800
Hysaw	Karnes	100.0000%	1459.000	1459.000

<u>Austin Chalk, Texas, Properties</u>	<u>County</u>	<u>Working Interest</u>	<u>Gross Acreage</u>	<u>Net Acreage</u>	
Bateman	DeWitt	100.0000%	1276.34	1276.340	
Browne	Karnes	100.0000%	255.80	255.800	
South Somerville	Burleson	3.1250%	176.50	5.516	9010.618

GULF COAST, TEXAS
PROPERTIES

Robinson Ranch	Jackson	20.0000%	2143.00	428.600	
Baker	Goliad	20.0000%	994.00	198.800	
Burns	Goliad	20.0000%	1274.00	254.800	
Bullhead Creek	Bee	20.0000%	5685.00	1137.000	
Angel City (Upthrown)	Goliad	20.0000%	782.00	156.400	
Angel City (Downthrown)	Goliad	20.0000%	650.00	130.000	
Angel City South	Goliad	20.0000%	1405.00	281.000	2586.600

MONTANA PROPERTIES

Universal	7 Counties	5.0000%	230,000	11500.000	11500.000
					<u>23097.218</u>

As of December 31, 1980, the Company had participated in the drilling of five wells, four of which have been completed, one was dry and abandoned.

As at April 30, 1981, Enex had participated in the drilling of five further wells, three of which were completed, and two were dry holes. As of this date, we are participating in the drilling of two further wells in Texas.

The completed wells in Texas are as follows:

<u>WELL</u>	<u>STATUS</u>
Pinter #1	Producing at maximum allowable of 180 BOPD.
Dusek #1	Producing at 120 BOPD.
Elo Moore (Moore #1)	Producing at maximum allowable of 180 BOPD.
Hardeman (Stillwagon #1)	Producing at 1,500,000 CFD and 60 BOPD. (condensate). In process of being tied in to low pressure line and increased to 3,000,000 CFD and 150 BOPD (condensate). This well has an AOF of 44,000,000 CFD in the Austin Chalk, and 23,400,000 CFD in the Georgetown formation.

<u>WELL</u>	<u>STATUS</u>
Early Robbins (Mertink #1)	Producing 20 BOPD; pumping unit to be installed, will increase production to between 100 and 150 BOPD.
Hope (Boulden #1)	Cased and preparing for perforation.
South Sommerville (Nixon #1)	Cased and preparing for perforation.
Dusek-1-A	Drilling
Baker #1	Completed and awaiting tie-in to pipeline. Will produce at estimated 500,000 CFD.

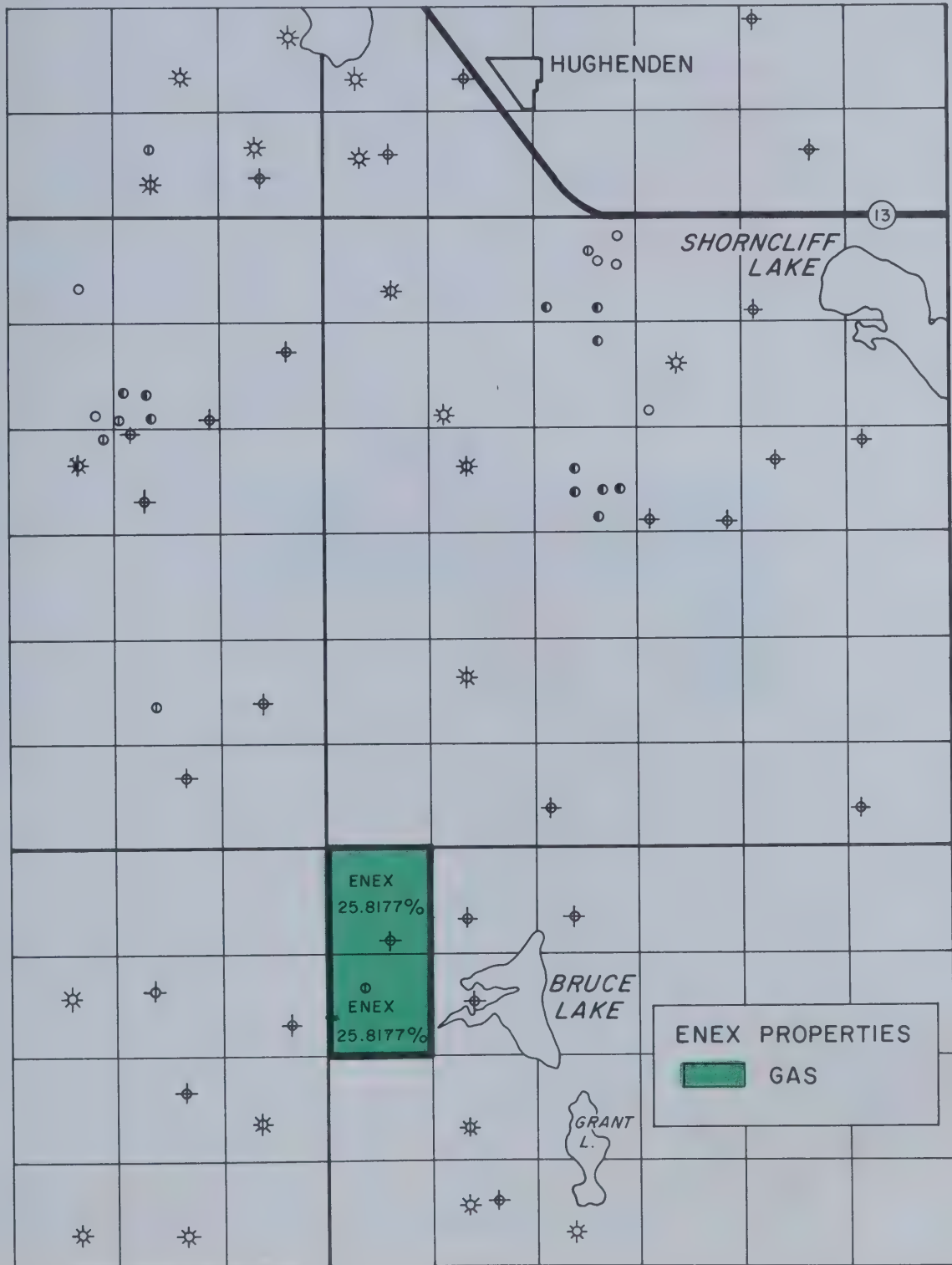
In conjunction with the above, it is the intention of the Board to institute a major drilling program, with substantial working interests retained by the Company. The scope of this program will be highlighted on the accompanying maps.

ENEX RESOURCES LTD. HUGHENDEN, ALBERTA

R.8

R.7W.4M.

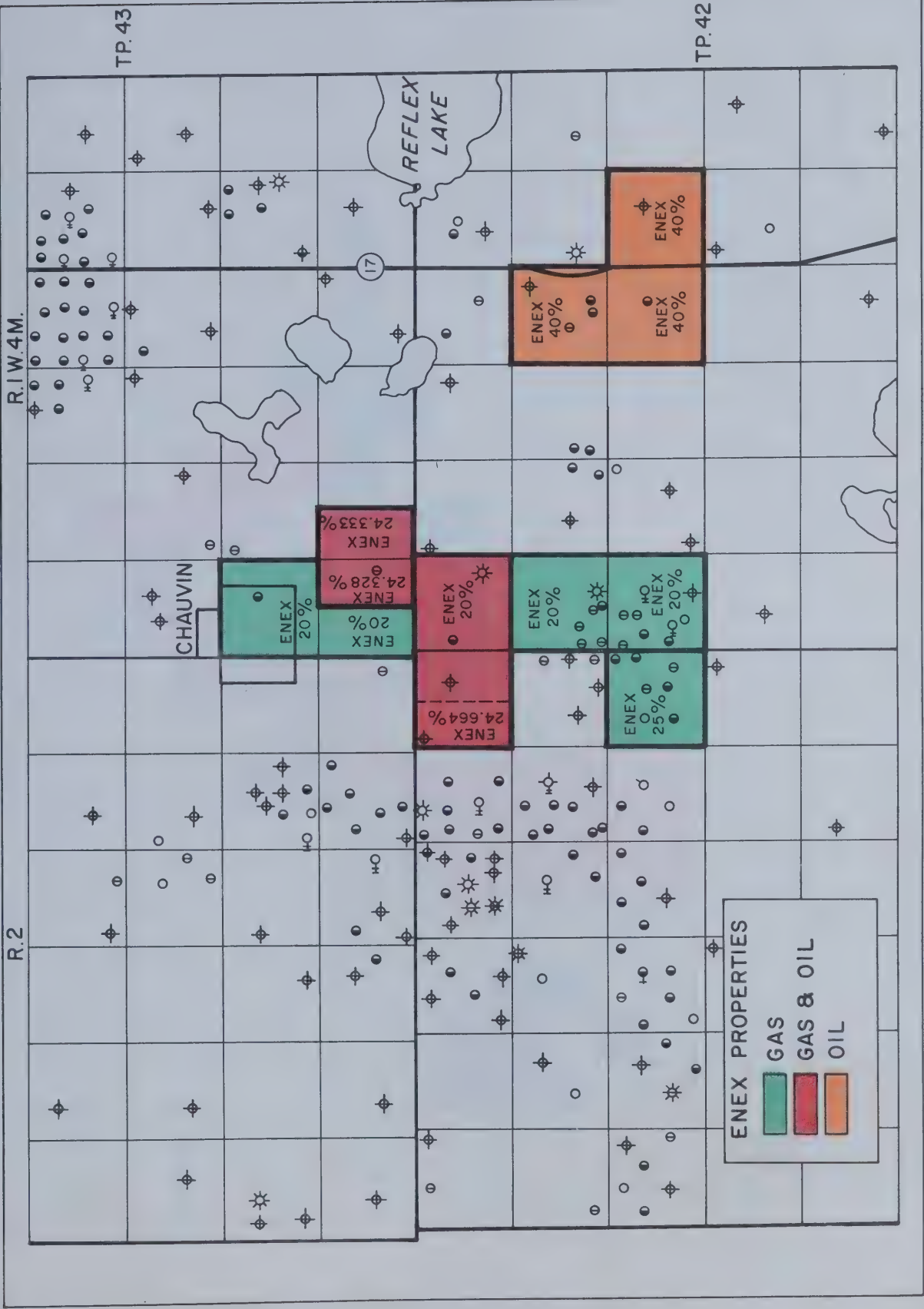
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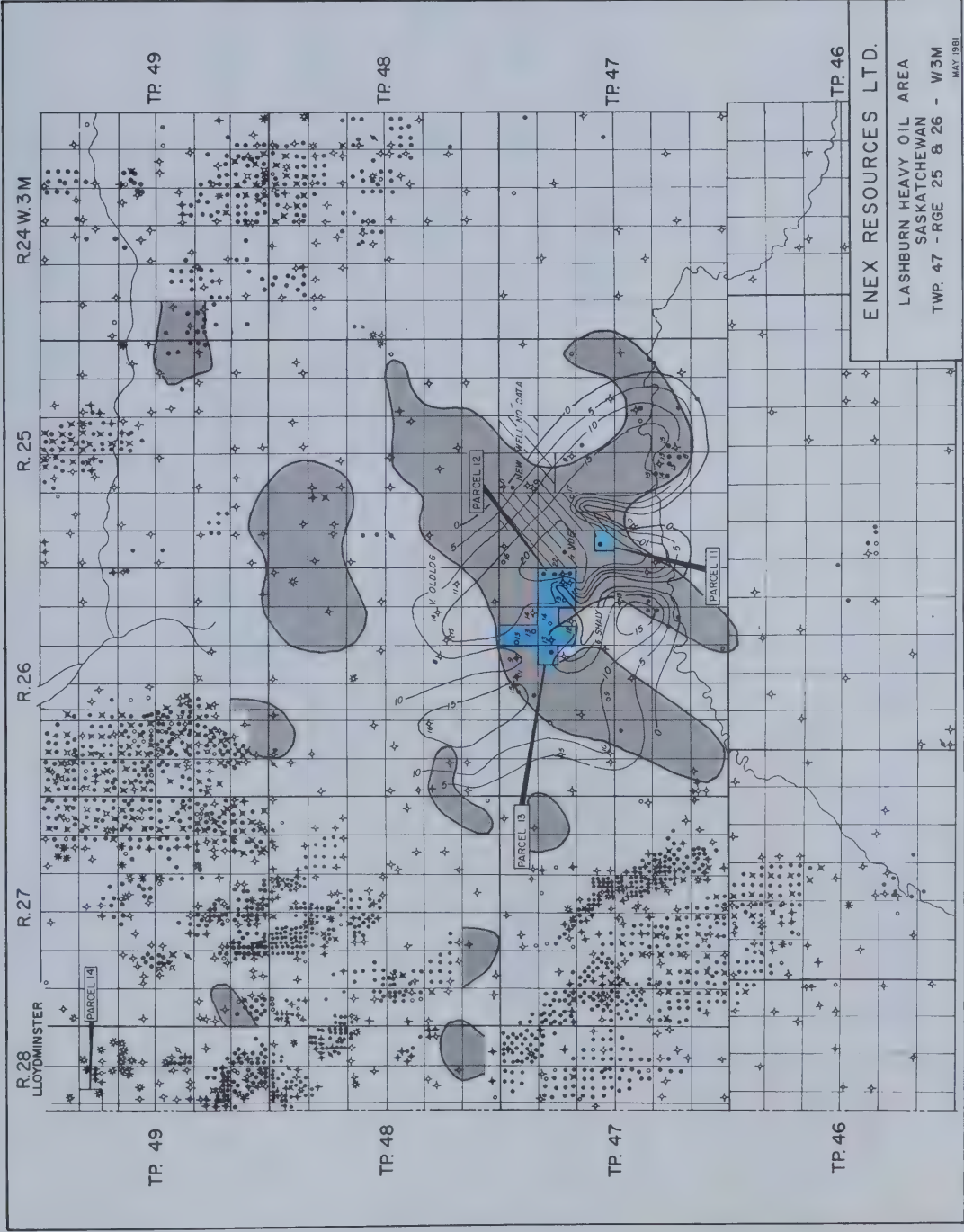
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ENEX RESOURCES LTD. CHAUVIN, ALBERTA



The map displays a grid-based land ownership and drilling license arrangement. Key features include:

- Drilling License Area:** A green-shaded area at the top center labeled "DRILLING LICENSES NW 1/8 % FOR REED ENERGY NO CONTRACT".
- Planned Mississippi Test:** A red-shaded area on the left side labeled "PLANNED MISSISSIPPIAN TEST".
- GORR Areas:** Two hatched rectangular areas labeled "GORR" with percentages "4%" and "2%", likely indicating gas or oil reserves.
- 100% Interest Area:** A large red-shaded area on the right side labeled "100% INTEREST ALL HORIZONS COVERED BY T.C.P.L. CONTRACT".
- Planned Devonian Test:** A small white area at the bottom center labeled "PLANNED DEVONIAN TEST".
- 100% All Horizons:** A small hatched area at the bottom center labeled "100% ALL HORIZONS NO CONTRACT".
- 67.5% No Contract:** A label pointing to a specific section at the bottom left.
- Colony & B Quartz:** A label pointing to a section at the bottom left.
- 67.5% Excl All Horizons Colony:** A label pointing to a section at the bottom left.



ENEX RESOURCES LTD.

LASHBURN HEAVY OIL AREA
SASKATCHEWAN

TWP. 47 - RGE 25 & 26 - W3M
MAY 1981

LEGEND

ENEX HOLDING LOCATION & NAME

ENEX HOLDINGS

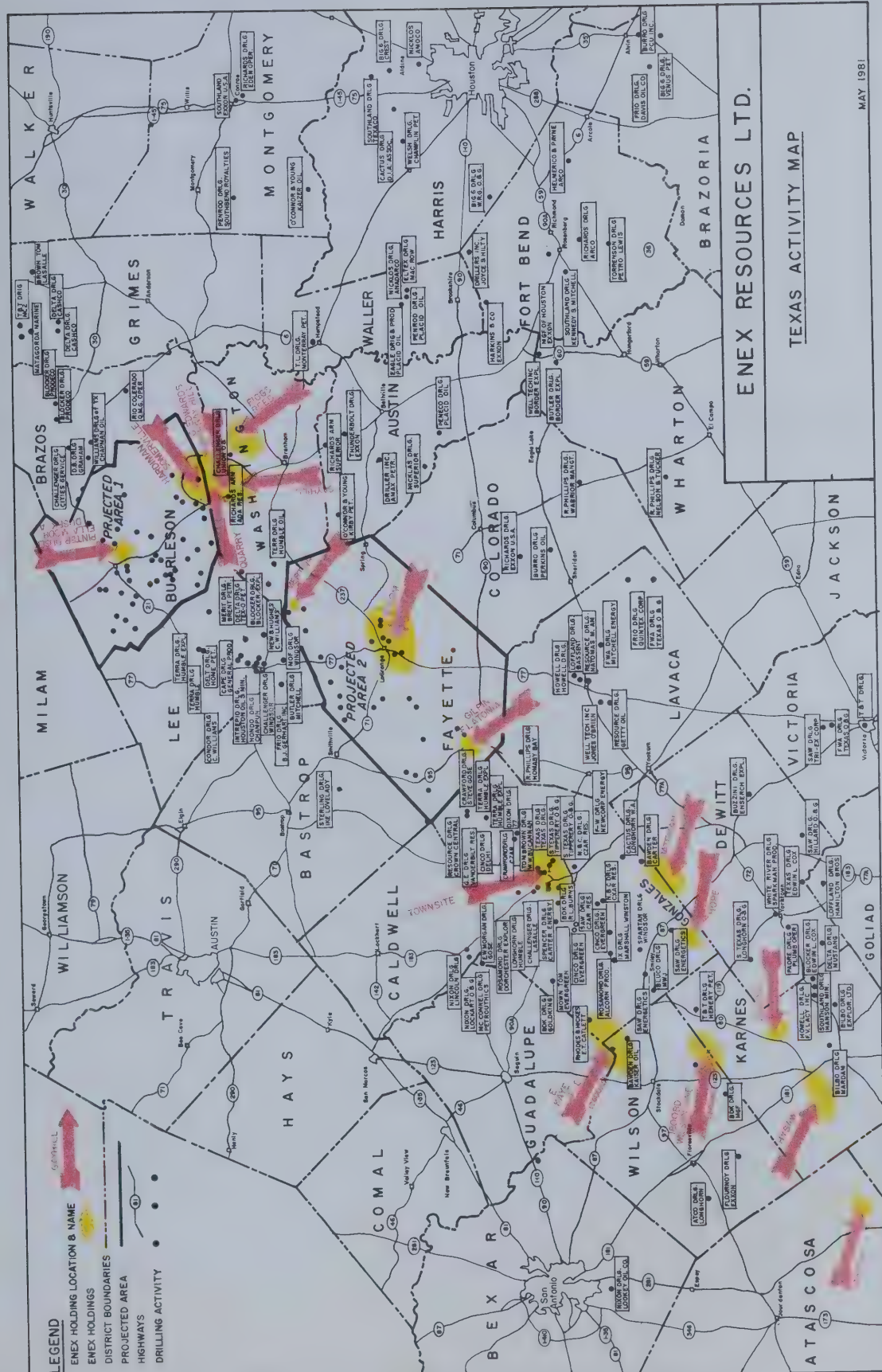
DISTRICT BOUNDARIES

PROJECTED AREA

HIGHWAYS

DRILLING ACTIVITY

GERMALL



ENEX RESOURCES LTD.

TEXAS ACTIVITY MAP

MAY 1981

ENEX RESOURCES LIMITED

URANIUM MINERAL PROPERTIES

SASKATCHEWAN

LA RONGE MINING DISTRICT

MINERAL LEASE ML 5289

Mineral lease ML 5289, formerly claim block CBS 5462, is centered on 57°36'N latitude, 105°20'W longitude. La Ronge, Saskatchewan is 270 km (168 miles) south and Uranium City, Saskatchewan is 290 km (180 miles) northwest.

Mineral lease ML 5289 is underlain by Paleohelikian Manitou Formation of Athabasca Group. Outcrops of Manitou Formation sandstone exist locally within the mineral lease; the sandstone grades stratigraphically downwards into conglomerate that unconformably overlies Aphebian Wollaston Group metasedimentary rocks or Aphebian granitic and metamorphic rocks.

No uranium occurrences in outcrop have been discovered within mineral lease ML 5289. However, a total of 198 anomalously radioactive sandstone boulders have been discovered within the mineral lease to the end of 1980. One hundred and eighty-seven of these boulders comprise two trains that source from outside mineral lease ML 5289.

A total of 12 springs that contain anomalous concentrations of radon in spring water have been discovered within mineral lease ML 5289; the source of the anomalous radon content is uncertain. Three lakes within the mineral lease contain low but anomalous contents of uranium in lake sediment.

Airborne and ground magnetometer and electromagnetic surveys, and a gravity survey that have been performed within mineral lease ML 5289 indicate that a belt of metasedimentary rocks trends north-northeasterly through the western half of the mineral lease, and that several possible faults, which trend northeasterly, northwesterly and northerly, are present.

Further exploration is required within mineral lease ML 5289. Field exploration should include ground very low frequency electromagnetic surveying at selected locales within the mineral lease to better define possible faults, geochemical sampling of selected springs for their radon, radium, boron and phosphate content, and systematically prospecting the remainder of the mineral lease to determine if the 11 anomalously radioactive sandstone boulders that exist west of the two boulder trains currently

delineated, are part of another boulder train or trains and, if such boulder trains exist, whether they end within mineral lease ML 5289. Certain office studies of selected drill core and anomalously radioactive sandstone boulders may also be required.

Mineral lease ML 5289 is in good standing until July 1, 1982. Sufficient expenditures have been filed that, if accepted, will hold the mineral lease until July 1, 1985, with an excess assessment credit of \$35,024.07.

ATHABASCA MINING DISTRICT

CM 1 TO CM 5 MINERAL CLAIMS

The CM 1 to CM 5 mineral claims are 14.5 km (9 miles) east of Uranium City, Saskatchewan. Eldorado Nuclear Limited's Bolger uranium deposit is 1.6 km (1 mile) southwest of the claims which contain about 60.7 ha (150 acres).

The claims are underlain by Precambrian Tazin Group metasomatic granite, amphibolite, granite gneiss and hornblende schist. The northeast trending St. Louis Fault dips 50 to 55 degrees southeast and was intersected at depths of 377.95 m and 488.29 m (1,240 and 1,602 feet) in two holes drilled on the property.

No uranium occurrences are known on CM mineral claims. Uranium occurrences in Tazin Group schistose rocks northeast of the property are in the footwall of the St. Louis Fault and occur in a geological framework similar to that encompassing Eldorado's Ace-Fay deposit. Uranium occurrences northeast of the CM mineral claims can be expected to rake in a southwesterly direction and if persistent to depth, may pass through the eastern half of the CM mineral claims. Hole 75C-1, drilled to test the footwall of the St. Louis Fault, encountered uranium grading 0.040 per cent U_3O_8 across a width of 1.22 m (4 feet) within schistose rocks, about 30.8 m (190 feet) beneath the fault. Hole 75C-2 which was drilled 30.5 m (100 feet) into the footwall of the St. Louis Fault, failed to penetrate the schistose zone.

Hole 75C-2 should be deepened in order to penetrate the footwall schist zone. Other holes may be required.

The claims are in good standing until June 4, 1983 with excess assessment credits of \$50,781.29. The claims must be taken to lease on or before June 4, 1983.

MINERAL LEASES ML 5132, ML 5133, ML 5203, ML 5204

This property of 323.75 ha (800 acres) is at Surprise Lake, 19.3 km (12 miles) northwest of Uranium City, Saskatchewan. Tazin Group gneiss, migmatite and amphibolite are overlain by Martin Formation conglomerate and arkose. Exploration conducted during the mid-1950's and the late-1960's discovered numerous radioactive occurrences within gneiss and arkose near the unconformity between Tazin Group and Martin Formation. Diamond drilling of one zone proved that uranium exists to 36.5 m (120 feet) below surface; one intersection in this zone graded 1.42 per cent U_3O_8 across 6.7 m (22 feet).

Diamond drill core stored at Surprise Lake should be relogged and detailed cross sections should be prepared.

Consideration should be given to a ground electromagnetic survey on that part of mineral lease ML 5133 which is covered by Martin Formation rocks. The survey should be designed to search for rock types, underlying Martin Formation, that might serve as hosts for uranium.

Mineral leases ML 5132 and ML 5133 are held as a developed area. Mineral lease ML 5203 is in good standing until June 13, 1982 and mineral lease ML 5204 is in good standing until April 11, 1982.

CLAIM BLOCK CBS 2747

This claim block consists of 536 ha (1,325 acres) and is 19.3 km (12 miles) northeast of Uranium City, Saskatchewan.

A northeast trending pitchblende-bearing steeply dipping zone has been trenched and diamond drilled. The results of shallow drilling indicate a zone, up to 1.5 m (5 feet) true width, with values grading generally 0.13 to 0.17 per cent U_3O_8 . However, one hole of four drilled to test the zone 45.7 m (150 feet) below surface is reported to have intersected 1.65 per cent U_3O_8 across 1.5 m (5 feet).

A hole, 78E-1, was drilled in 1978 to test immediately beside the hole that was reported to have intersected 1.65 per cent U_3O_8 across 1.5 m (5 feet). Hole 78E-1 intersected a hematitic U_3O_8 zone from 46.57 m to 52.73 m (152.8 to 173.0 feet) in porphyritic granite; no radioactivity existed in the core.

The property is in good standing until June 30, 1982.

ALBERTA

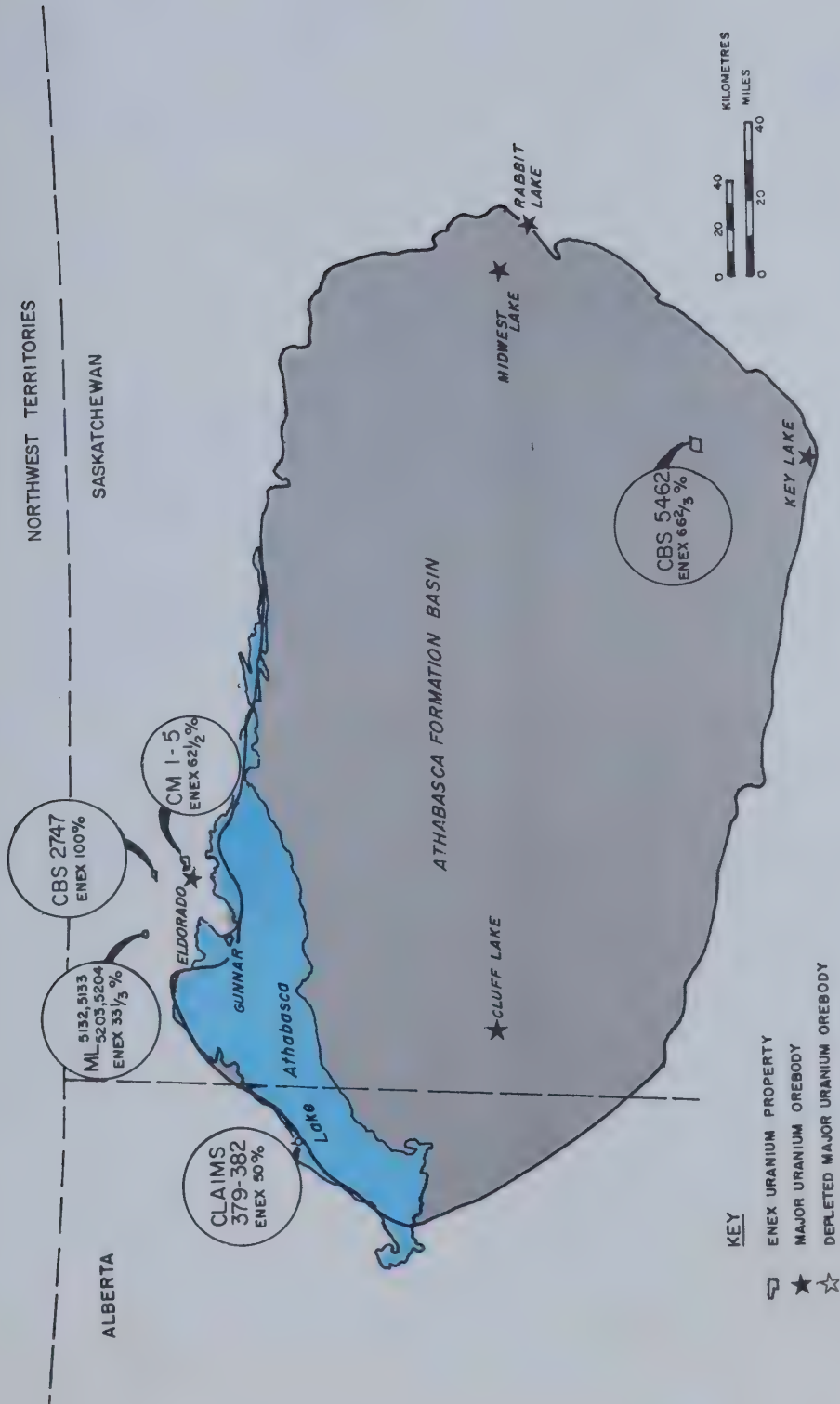
MINERAL CLAIMS 379 TO 382

These four claims, containing 259 ha (640 acres) are at the north shore of Lake Athabasca, about 64 km (40 miles) northeast of Fort Chipewyan.

The northern portion of the claims is underlain by granite gneiss; the southern part of the claims is probably underlain by Athabasca Group sandstone. Because most of the major uranium deposits in northern Saskatchewan occur at or near the unconformity between Athabasca Group and underlying rocks, it is important that Athabasca Group is believed to underlie the southern part of the claims.

A marine seismic survey performed in June 1979 outlined what is believed to be a band of Athabasca Group sandstone up to 1,000 m (3,280 feet) wide on the southwest part of the claim group and west of the western claim boundary. Extensive areas of sandstone may also extend northwest and southwest of the western part of the claim group. The south central part of the mineral claim group may be underlain by weathered basement rocks. A compilation of structural features, as interpreted from aerial photographs and seismic data, shows that the claim group is on the eastern side of a major north trending regional fault. A well-defined northeast trending fault system intersects the regional fault immediately west of Fidler Point. Northwest trending faults which exist north of the claim group may extend into the southern part of the claim group.

Further exploration should be performed on the southwestern part of the claim group. A geophysical survey such as vertical loop electromagnetic or pulse electromagnetic should be performed over the area of presumed Athabasca Group sandstone underlying the mineral claims. The purpose of the geophysical survey would be to determine the extent of the sandstone and to define possible conductive zones in the basement rocks. All pertinent data now on file should first be submitted to a geophysicist for analysis and recommendations on which type of survey to perform, optimum line orientation and spacing and a cost estimate. Provision should be made for diamond drilling to test any conductors defined by the geophysical survey.



ENEX RESOURCES LIMITED

URANIUM PROPERTIES

NORTHERN SASKATCHEWAN & ALBERTA

MAY 1981



Peat, Marwick, Mitchell & Co.

Chartered Accountants

2100 Principal Plaza
10303 Jasper Avenue
Edmonton, Alberta T5J 1Y5
(403) 421-4114

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Enex Resources Limited as at December 31, 1980 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Edmonton, Canada
May 1, 1981

Chartered Accountants

Consolidated Balance Sheet

December 31, 1980
with comparative figures for 1979

See accompanying notes to consolidated financial statements.

ENEX RESOURCES LIMITED

Consolidated Statement of Operations

Year ended December 31, 1980
with comparative figures for 1979

	<u>1980</u>	<u>1979</u>
Revenue:		
Petroleum and natural gas - net	\$ 246,333	90,765
Interest	49,958	-
	<u>296,291</u>	<u>90,765</u>
Expenses:		
Operating	219,547	63,739
General and administrative (Schedule 3)	286,568	-
Interest	117,585	-
Depletion	118,934	23,177
Depreciation	108,694	-
Write-off of non-productive property	41,160	128,145
	<u>892,488</u>	<u>215,061</u>
Loss from operations before the following	596,197	124,296
Investment income:		
Gain on sale of marketable securities	<u>347,993</u>	<u>90,307</u>
Net loss	\$ <u>248,204</u>	<u>33,989</u>

See accompanying notes to consolidated financial statements.

ENEX RESOURCES LIMITED

Consolidated Statement of Retained Earnings

Year ended December 31, 1980
with comparative figures for 1979

	<u>1980</u>	<u>1979</u>
Retained earnings, beginning of year	\$ 176,696	210,685
Deduct net loss for the year	<u>248,204</u>	<u>33,989</u>
Retained earnings (deficit), end of year	\$ <u>(71,508)</u>	<u>176,696</u>

See accompanying notes to consolidated financial statements.

ENEX RESOURCES LIMITED

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1980
with comparative figures for 1979

	<u>1980</u>	<u>1979</u>
Funds provided:		
Net income from operations	\$ -	3,849
Depletion	-	<u>23,177</u>
Funds provided from operations	-	27,026
Deferred revenue	89,419	11,513
Proceeds from issue of capital stock	2,242,805	53,500
Recovery of deferred exploration expenditures	46,736	-
Gain on sale of marketable securities	347,993	90,307
Total funds provided	<u>2,726,953</u>	<u>182,346</u>
Funds used:		
Net loss from operations	596,197	-
Deduct:		
Depletion	108,694	-
Depreciation	118,934	-
Total funds used in operations	<u>368,569</u>	<u>-</u>
Investment in productive and non-productive petroleum and natural gas properties	2,938,587	374,120
Deferred exploration expenditures	-	237,775
Deferred administrative expenditures	3,153	65,445
Purchase of production equipment	567,295	-
Loss on investments	-	876
Total funds used	<u>3,877,604</u>	<u>678,216</u>
Decrease in working capital	1,150,651	495,870
Working capital deficiency (surplus) beginning of year	22,601	(473,269)
Working capital deficiency end of year	\$ <u><u>1,173,252</u></u>	<u><u>22,601</u></u>

See accompanying notes to consolidated financial statements.

ENEX RESOURCES LIMITED

Notes to Consolidated Financial Statements

December 31, 1980

1. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary.

(b) Petroleum and natural gas properties:

The Company follows the practice of capitalizing all costs of acquiring, carrying, exploring for and developing petroleum and natural gas properties. When a property becomes producing, the costs are depleted on the unit of production method using the estimated recoverable oil and natural gas reserves for each property. When a property is abandoned, surrendered or proves to be economically unproductive, the cost of the property is written off.

(c) Production equipment:

Production equipment is depreciated on a declining balance basis at a rate of 20%.

(d) Mining claims:

The initial cost of the mining claims is capitalized, and exploration work on the claims is charged to deferred exploration expenditures. When all of the claims in a particular area are abandoned, the cost of the claims in that area and a portion of deferred administration are written off. When a property is brought into production, it is the Company's intention to amortize the cost of claims and the deferred exploration and administration expense relating to the claims, on the unit of production method using the estimated recoverable mineral reserves.

(e) Deferred expenditures:

Prior to 1980, the Company was principally engaged in exploring for and developing mining claims. As a result of the activities the Company followed generally accepted accounting principles for non-producing mining companies which allowed for the deferral of all exploration and administrative expenditures. The Company is currently engaged in the exploration and development of petroleum and natural gas properties and as such, follows generally accepted accounting principles for oil and gas companies which does not allow for the deferral of administrative expenditures. Therefore, only administrative expenditures incurred on mining properties prior to 1980 and by the joint ventures have been deferred. All other administrative expenditures have been expensed.

ENEX RESOURCES LIMITED

Notes to Consolidated Financial Statements, continued

December 31, 1980

1. Significant accounting policies, continued:

(f) Joint ventures:

The accounts of the Company reflect only the Company's proportionate interest in mining exploration and in petroleum and natural gas exploration and production activities which are conducted jointly with others.

2. Investment in non-productive petroleum and natural gas properties:

Costs under an agreement with Universal (gas) Montana Inc. to pay 5% of all costs and expenses of an exploration program in the United States.	\$ 230,732
Costs under an agreement with Amareta Inc. to pay for a percentage of all costs and expenses of an exploration program in the United States.	350,183
An interest in two properties held by Pan Coastal Petroleum Corp. in the United States.	<u>4,700</u>
	<u>\$ 585,615</u>

3. Mining claims:

Saskatchewan:

CM 1-5

In the Athabasca mining district the company acquired 5 mining claims. Under a subsequent agreement 50% of these claims were given up in return for a 25% interest in 3 mining leases in the same area.

\$ 5,500

CBS 2747

Under an option agreement the company acquired a 1,325 acre claim block.

9,880

CBS 5462

The company has a two-thirds participating interest in this claim block of 9,504 acres in the LaRonge area.

-

Athabasca Mining District

Interest in mineral leases 5132 and 5133	13,333
Interest in mineral leases 5203 and 5204	2,840

Alberta:

Athabasca:

The company has a one-half interest in 4 claims.

1,192

\$ 32,745

ENEX RESOURCES LIMITED

Notes to Consolidated Financial Statements, continued

December 31, 1980

4. Purchase of wholly-owned subsidiary:

On June 30, 1980, the Company purchased the shares of Romac Resources Ltd., an oil and gas exploration company in exchange for 501,634 of the Company's shares at a fair market value of \$1.90. The acquisition has been accounted for as a purchase and the operations of the acquired company have been included from July 1, 1980 to December 31, 1980.

The total purchase price of \$953,105 has been allocated as follows:

Petroleum and natural gas properties	\$ 2,099,500
Tangible equipment	<u>450,500</u>
Total assets acquired	2,550,000
Bank indebtedness	(1,575,000)
Accrued liabilities	<u>(21,895)</u>
Total liabilities assumed	<u>1,596,895</u>
Net assets acquired	\$ <u><u>953,105</u></u>

The decrease in consolidated working capital resulting from the acquisition amounting to \$1,596,895 has been included in the statement of changes in financial position.

5. Capital stock:

During the year the Company has increased its authorized capital from 5,000,000 to 20,000,000 shares of no par value.

The following summarizes the issue of shares during the year:

	<u>Number of Shares</u>	<u>Value</u>
Balance December 31, 1979	2,695,806	\$ 1,282,369
Issued for cash to directors and employees in accordance with stock options	131,000	146,700
Issued to acquire Romac Resources Ltd. (note 4)	501,634	953,105
Issued for cash	600,000	798,000
Issued for cash upon the exercise of warrants	<u>250,000</u>	<u>345,000</u>
Balance at December 31, 1980	<u><u>4,178,440</u></u>	\$ <u><u>3,525,174</u></u>

The Company has granted options for the purchase of 135,000 shares of capital stock of the Company to seven directors. The options are exercisable at \$3.15 per share until September 30, 1981.

ENEX RESOURCES LIMITED

Notes to Consolidated Financial Statements, continued

December 31, 1980

6. Loss per share:

The loss for the year ended December 31, 1980 amounted to 6.8 cents per share based on the weighted average of the number of shares outstanding during the year.

7. Subsequent event:

Subsequent to December 31, 1980, the Company has entered into agreements for the acquisition of two companies in the petroleum and natural gas industry in the United States. The agreements call for the exchange of 427,000 shares of the Company for approximately 73.02% ownership of one company and 100% ownership of the other.

8. Comparative figures:

Certain 1979 amounts have been reclassified to conform with 1980 presentation.

Deferred Exploration Expenditures

Year ended December 31, 1980

	Balance December 31, 1979	Additions	Reimbursements	Balance December 31, 1980
CM 1-5:				
Drilling costs	\$ 23,798			23,798
Engineering and consulting fees	7,610			7,610
Equipment and supplies	94			94
Transportation and accommodation	415			415
Board and lodging	231			231
Sundry	210	100		310
	<u>32,358</u>	<u>100</u>	<u>-</u>	<u>32,458</u>
CBS 2747:				
Drilling costs	17,339			7,339
Engineering and consulting fees	17,642	200		17,842
Equipment and supplies	992			992
Transportation and accommodation	6,718			6,718
Licenses, fees and taxes	172			172
Board and lodging	237			237
Sundry	558			558
	<u>33,658</u>	<u>200</u>	<u>-</u>	<u>33,858</u>
ML 5289 (Formerly CBS 5462):				
Engineering, consulting and supervision fees	75,292	111,544		186,836
Assaying	1,232	569		1,801
Equipment and supplies	23,589	22,153		45,742
Transportation and accommodation	13,061	11,328		24,389
Camp expenses	2,098	-		2,098
Drilling costs	65,211	-		65,211
Freight	1,983	907		2,890
Helicopter and service flights	44,530	22,209		66,739
Licenses, fees and taxes	95	479		574
Line cutting	9,181	7,925		17,106
Office supplies and expenses	1,777	1,126		2,903
Sundry	183	44		227
Costs recovered	(3,575)	-	218,809	(222,384)
	<u>\$ 234,657</u>	<u>178,284</u>	<u>218,809</u>	<u>194,132</u>

ENEX RESOURCES LIMITED

Schedule 1
(continued)

Deferred Exploration Expenditures

Year ended December 31, 1980

	Balance December 31, 1979	Additions	Reimbursements	Balance December 31, 1980
Mineral leases 5132 and 5133:				
Engineering and consulting fees	\$ 1,037			1,037
Transportation	25			25
Licenses, fees and taxes	554			554
Sundry	5			5
	<u>1,621</u>	<u>-</u>	<u>-</u>	<u>1,621</u>
Mineral leases 5203 and 5204:				
Engineering and consulting fees	14,131	204		14,335
Licenses, fees and taxes	73	-		73
Equipment and supplies	3,898	452		4,350
Office supplies and expenses	49	2		51
Telephone	126	27		153
Assaying	321	-		321
Fuel	126	-		126
Helicopter and service flights	1,731	-		1,731
Transportation and accommodation	1,677	-		1,677
Freight	245	10		255
Sundry	140	-		140
	<u>22,517</u>	<u>695</u>	<u>-</u>	<u>23,212</u>
Alberta Claims Athabasca:				
Surveying	6,650		6,650	-
Engineering and consulting fees	1,441		752	689
Licenses, fees and taxes	100	320	-	420
Sundry	132	-	124	8
	<u>8,323</u>	<u>320</u>	<u>7,526</u>	<u>1,117</u>
Non-allocated exploration	<u>26,773</u>	<u>-</u>	<u>-</u>	<u>26,773</u>
	<u>359,907</u>	<u>179,599</u>	<u>226,335</u>	<u>313,171</u>
Deduct expenses recovered	<u>11,552</u>	<u>-</u>	<u>-</u>	<u>11,552</u>
	<u>\$ 348,355</u>	<u>179,599</u>	<u>226,335</u>	<u>301,619</u>

Schedule of Deferred Administration Expenditure

Year ended December 31, 1980
with comparative figures for 1979

	<u>1980</u>	<u>1979</u>
Head office services	\$ 2,012	32,700
Legal and audit	388	15,006
Annual meeting and shareholders' information	-	8,205
Office rental	630	6,780
Licenses, fees and taxes	-	244
Joint venture administrative expenses	-	3,450
Office supplies and expenses	4	3,915
Telephone	93	2,495
Travel	-	6,788
Transfer agent fees	-	4,161
Stock exchange fees	-	1,160
Public relations	-	467
Directors' meetings expenses	-	582
Sundry	26	184
	<u>3,153</u>	<u>86,137</u>
Interest and bank charges	-	5,574
	<u>3,153</u>	<u>91,711</u>
Deduct:		
Interest earned	-	26,266
	<u>3,153</u>	<u>65,445</u>
Balance at beginning of year	298,000	300,061
	<u>301,153</u>	<u>365,506</u>
Deduct:		
Portion applicable to mining properties written off	-	67,506
Balance at end of year	\$ <u><u>301,153</u></u>	<u><u>298,000</u></u>

Schedule of General and Administrative Expenses

Year ended December 31, 19801980

Head office services	\$ 36,400
Legal and audit	72,403
Annual meeting and shareholders' information	13,492
Office rental	5,700
Licenses, fees and taxes	474
Underwriting costs	78,531
Office supplies and expenses	21,837
Telephone	7,280
Travel	30,946
Transfer agent fees	9,903
Stock exchange fees	4,360
Public relations	1,200
Directors' meetings expenses	2,302
Donation	1,000
Sundry	740

\$ 286,568

